

TAX RATES
FOR
FY 2078-79 (2021-22)



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Income Tax Rates FY 2021-22

1. Personal Income Tax

1.1 For residents: natural person

Tax Banding	Tax Rates			
	FY 2021-22 (FY 2078-79)		FY 2020-21 (FY 2077-78)	
Individual				
(a) Band 1	First 400,000	1%*	First 400,000	1%*
(b) Band 2	Next 100,000	10%	Next 100,000	10%
(c) Band 3	Next 200,000	20%	Next 200,000	20%
(d) Band 4	Next 1,300,000	30%	Next 1,300,000	30%
(e) Additional Tax	Remaining above 2,000,000	36%**	Remaining above 2,000,000	36%**
Couple/Married				
(a) Band 1	First 450,000	1%*	First 450,000	1%*
(b) Band 2	Next 100,000	10%	Next 100,000	10%
(c) Band 3	Next 200,000	20%	Next 200,000	20%
(d) Band 4	Next 1,250,000	30%	Next 1,250,000	30%
(e) Additional Tax	Remaining above 2,000,000	36%**	Remaining above 2,000,000	36%**

*This is the Social Security Tax to be deposited in a separate revenue account (11211) provided for this purpose. However, tax payer registered as sole proprietorship or on pension income or on income from contribution based pension fund shall not attract social security tax i.e. 1%. And if the taxpayer is depositing amount in the Social Security Fund (SSF) then for those taxpayer Social Security Tax is not applicable.

Note:

A. Deductions on Income	Remarks
Natural person working in remote areas entitled for Remote Area Allowance	Additional deduction from taxable amount up to Rs 50,000. (A-50,000, B-40,000, C-30,000, D-20,000, E-10,000).
Natural person with pension income included in the taxable income	Additional deduction equal to 25% of amount prescribed under first tax band or actual pension receipts, whichever is lower shall be allowed from taxable income. (Note: This provision was removed by Finance Act 2077 and have been reintroduced by Finance Ordinance 2078.
Incapacitated natural person	Additional deduction from taxable amount equal to 50% of amount prescribed under first tax band or actual income whichever is lower.
B. Reduction on Income	
Life insurance premium	A natural person who has procured life insurance and paid premium amount thereon shall be entitled to a reduction of actual annual insurance premium or Rs 25,000 whichever is lower from taxable income.
Medical insurance	A natural person who has insured with resident insurer/insurance company for health insurance shall be entitled to a reduction of actual premium paid or Rs 20,000 whichever is lower.
Insurance of private building (New provision introduced by Finance Ordinance 2078)	A Resident natural person who has insured private building in his/her ownership with resident insurer/insurance company shall be entitled to a deduction of actual annual premium paid for such insurance or Rs 5,000 whichever is lower.
Contribution to Approved Retirement Fund	In case of contribution to Social Security Fund (SSF) - 1/3rd of taxable income or Rs 500,000 or Actual contribution whichever is lower. In case of contribution to other approved retirement fund but not in SSF - 1/3rd of taxable income or Rs 300,000 or Actual contribution whichever is lower.
C. Foreign Allowances	
In case of the employee employed at the foreign diplomatic mission of Nepal	Only 25% of the foreign allowances are to be included in the income from employment.

D. Tax Exemption	
Compensation received against deceased natural person	Compensation received against the deceased of natural person is not required to be included in income.
E. Rebated on tax liability	
Foreign tax credit	If any resident person has paid tax on income outside Nepal, such person can claim foreign tax credit and while claiming such credit each country has to be considered separately. Amount of credit shall be lower of i. Total foreign income included in assessable income in Nepal as multiplied by the average rate of tax on total income or ii. Actual tax paid in foreign country.
Medical Tax Credit	Resident Natural Person is entitled to Medical Tax Credit at least of following amounts i. Rs 750 or ii. 15% of Medical Expenses along with any carried forward from previous year or iii. Actual tax liability
Female Tax Credit	In case of resident individual women having only remuneration income, tax credit of 10% on the tax liability calculated as other natural person. i.e., not applicable for women opted as couple status for tax purpose.
F. Compulsory Filing	
<ul style="list-style-type: none"> - A natural person with only gains from disposal of Non-Business Chargeable Assets (NBCA), may opt not to file the income tax return under Section 96. - Natural person other than sole proprietor with income solely from income from vehicle on hire not required to file the income tax return. - However, a natural person having taxable income exceeding Rs 4 million during an Income Year shall submit income return under Section 96. 	

**** 36 % is computed as 30% plus additional 20% on such tax rate applicable to taxable income above Rs 2,000,000.**

1.2 For non - residents

#	Nature of Transaction	FY 2021-22	FY 2020-21
a.	Income earned from normal transactions	No change	25% flat rate
b.	Income earned providing shipping, air transport or telecom services, postage, satellite and optical fiber project	No change	5%
c.	Income earned providing shipping, air transport or telecom services within the territory of Nepal	No change	2%
d.	Repatriation of profit by Foreign Permanent Establishment	No change	5%

1.3 Special provisions for resident natural person

#	Particulars	FY 2021-22	FY 2020-21
a.	Income earned by natural person engaged on special industry under Section 11 for whole year	No change	Tax @ 20% on taxable income for which tax rate of 30% is applicable.
b.	Income earned from export by natural person	No change	Tax @ 15% on taxable income for which tax rates of 20% and 30% applicable.
c.	Taxable income of a trust: - acquiring an estate of a deceased resident individual; or - of an incapacitated resident individual for an income year.	No change	Tax rate as applicable to Natural Person.

1.4 Special provision for small taxpayers - resident natural person

- i. **Presumptive taxpayer:** Small taxpayer (resident natural person) having business taxable income and business transaction not exceeding **Rs 300,000** (previous year 2020-21 - Rs 200,000) and **Rs 3 million** (previous year 2020-21- Rs 2 million) respectively during income year and who meets other criteria of presumptive taxpayer shall pay presumptive tax as mentioned in Note 2 below (however, for FY 2020-21, tax rebate has been provided to such taxpayers by Finance Ordinance 2078 – refer Note 3 below).
- ii. **Transaction based taxpayer:** Similarly, small taxpayer (resident natural person) other than presumptive taxpayer as mentioned above and having business taxable income and business transaction not exceeding **Rs 1 million** (previous

year 2020-21 – no such threshold) and **Rs 10 million** (previous year 2020-21- Rs 5 million) respectively during income year and who meets other criteria of transaction-based taxpayer shall pay tax on the basis of turnover as below:

#	Natural person engaged in	FY 2021-22		FY 2020-21 Turnover exceeding Rs 2 million and up to Rs 5 million
		Turnover exceeding Rs 3 million and up to Rs 5 million	Turnover exceeding Rs 5 million and up to Rs 10 million	
a.	Gas, cigarette business doing transaction with 3% margin or commission	0.25%	0.30%	0.25% of transaction amount
b.	Other person except those involved in business as above (a)	1%	0.80%	0.75% of transaction amount
c.	Person engaged in service business except doctor, engineer, auditor, player, actor or consultants.	2%	2%	2% of transaction amount

Note 1: Conditions for transaction-based taxation:

- Person is a resident natural person.
- Person having only Nepal source business income.
- Having business turnover exceeding **Rs 3 million but less than Rs 10 million** and having **taxable business income less than Rs 1 million**.
- Not having income from consultancy or specialized services such as those provided by doctor, engineer, auditor, lawyer, player, actor or consultants.

Criteria of “not registered with VAT to qualify as transaction-based taxpayer” has been withdrawn by Finance Ordinance 2078.

Note 2: For turnover up to Rs 3 million (Presumptive Taxpayer)

Particulars	FY 2021-22	FY 2020-21
Metropolitan, Sub-Metropolitan	No change	Rs 7,500*
Urban Municipality	No change	Rs 4,000*
Rural Municipality	No change	Rs 2,500*

*Though this was normal presumptive tax amount as per Finance Act 2077 (2020), further tax rebate was announced for FY 2020/21 provided through Finance Ordinance 2078 (2021) considering COVID 19 impact to small taxpayers. For detail, refer note 3 below.

Conditions for Presumptive Tax Payer

- Person is a resident natural person.
- Person having only Nepal source business income.
- Has not claimed medical tax credit under section 51 and advance tax credit under section 93.
- Having taxable business income not exceeding **Rs 300,000** and business turnover not exceeding **Rs. 3 million**.

Criteria of “not registered with VAT to qualify as presumptive taxpayer” and “person opting to be treated as presumptive taxpayer” has been withdrawn by Finance Ordinance 2078

Note 3: Rebates to Small taxpayers on tax FY 2020-21 as provided by Finance Ordinance 2078 (2021):

Tax rebates on applicable tax rates/presumptive tax amount based on the annual turnover of small taxpayers for FY 2020-21 considering impact of COVID-19 on business:

Annual Turnover	Tax Rebates on applicable tax
a. Up to Rs 2 million (natural person taxpayers having business income – presumptive taxpayers)	90%
b. Rs 2 million – Rs 5 million (natural person taxpayers whom transaction based tax is applicable)	75%
c. Up to Rs 10 million (taxpayers having business income – both natural person and entity) except for natural person falling under (a) and (b) above	50%

2. Corporate Income Tax

2.1 Tax rates for entity - company/firm/industry

#	Particulars	FY 2021-22			FY 2020-21
		Normal Rate	Rebate	Applicable Rate*	Applicable Rate*
1	Normal business	25%	-	25%	25%
2	Entities operating as Special Industry under section 11 for whole year	25%	20%	20%	20%
3	Entities constructing and operating ropeway, cable car or sky bridge	25%	40%**	15%**	15%
4	Entities constructing and operating roads, bridges, tunnel, railway, and airports	25%	50%**	12.5%**	12.5%
5	Entities operating trolley bus or trams	25%	40%**	15%**	15%
6	Entities with export income from source in Nepal	25%	20%	20%	20%
7	Entities involved in construction or operation of public infrastructure and to be transferred to GoN or involved in construction of hydropower house and its generation and transmission.	25%	20%	20%	20%
8	Banks and financial institutions (Commercial Banks, Development Banks and Finance Companies)	30%	-	30%	30%
9	Entity carrying General insurance business (Non-life Insurance)	30%	-	30%	30%
10	Entity engaged in petroleum business under Nepal Petroleum Act, 2040	30%	-	30%	30%
11	Entity engaged in business of cigarette, tobacco, cigar, chewing tobacco, pan masala, alcohol and beer	30%	-	30%	30%
12	Entity engaged in Telecommunication and Internet service	30%	-	30%	30%
13	Entity engaged in Money transfer	30%	-	30%	30%
14	Entity engaged in Capital market business, Securities business, Merchant banking, Commodity future market, Securities and Commodity broker	30%	-	30%	30%

*Above industry-wise applicable tax rate is presented after considering concession available under section 11 of Income Tax Act (ITA) except entities falling under tax holiday period. However, in case of special industry and industry other than presented above, entity can choose any one tax concession available under section 11 of ITA (summarized in point 2.2 below).

**Above rebate and applicable tax rates with respect to entities constructing and operating ropeway, cable car, Sky Bridge, roads, bridges, tunnel, railway, and airports, trolley bus and trams are applicable only up to 10 years from date of commercial operation.

2.2 Tax concessions and rebate on business income

In the given section, AR stands for Applicable Rate which should be used in the context of Special Industry as the rate after 20% concession given under Section 11(2Kha) and NR stands for Normal Rate in the context of Industry / business other than Special Industry

#	Particulars	FY 2021-22	FY 2020-21
1.	Concessions based on employment provided		
	Special industries and information technology industries providing direct employment to 100 or more Nepalese citizens throughout the year	No change	*10 % of AR / NR
	Special industries and information technology industries providing direct employment to 300 or more Nepalese citizens throughout the year	No change	*20% of AR / NR
	Special industries and information technology industries providing direct employment to 500 or more Nepalese citizens throughout the year	No change	*25% of AR / NR
	Special industries and information technology industries providing direct employment to 1000 or more Nepalese citizens throughout the year	No change	*30% of AR / NR
* Additional 10% concession is provided if direct employment is provided to 100 or more Nepalese citizens including at least 33% of women, oppressed or handicapped person.			
2.	Concessions to Special industries based on geographical locations		
	- Special industries established in very undeveloped areas	No change	90% of the AR (for 10 yrs from the date of commercial production)
	- Special industries established in undeveloped areas	No change	80% of the AR (for 10 yrs from the date of commercial production)
	- Special industries established in less developed areas	No change	70% of the AR (for 10 yrs from the date of commercial production)
3.	Concessions to Special industries based on investment amount		
	- Special industry and tourism industry (except casino) established with capital investment of Rs 1 billion or more and providing direct employment to more than 500 persons throughout the year	No change	100% exemption for first five years from the date of operation of business and 50% concession for next 3 years
	- For the existing special and tourism industry (except casinos) that increases its installed capacity at least by 25% to reach a capital of Rs 2 billion, and provides direct employment to more than 300 persons throughout the year	No change	100% concession for first 5 years and 50% concession for next 3 years on income generated due to increased capacity
	- Industry related to tourism industry or international flight operation established with capital investment of more than Rs 2 billion	No change	100% concession for 5 years from commencement of business and 50% concession for next 3 years
4.	Concessions to industry established in SEZ		
	- Industry established in 'Special Economic Zone' in mountain areas or hill areas by the GON	No change	100% exempt up to 10 yrs from date of operation of business and 50% rebate in subsequent years
	- Industry established in 'Special Economic Zone' other than above locations	No change	100% exempt up to first 5 yrs from date of operation and 50% rebate in subsequent years
	- Dividend distributed by the industry established in special economic zone	No change	100% exempt for first 5 years and 50% rebate in subsequent 3 yrs

#	Particulars	FY 2021-22	FY 2020-21
	- Income derived by the foreign investors from investment in 'Special Economic Zone' (Source of income-use of foreign technology, management service fee and royalty)	No change	50% of NR
	- Special industries in operation after establishment in or relocation to Industrial area and industrial gram. <i>The concession is introduced for relocated special industry also from FY 2021-22 onwards as "relocation" word introduced by Finance Ordinance 2078.</i>	50% rebate on AR for first 3 years from the production date after establishment or relocation and 25% rebate for next 5 years.	25% rebate on AR for first 5 years from date of operation. However not applicable to relocated special industry.
5.	Concessions based on establishment in special area		
	- Entity established in zoological, geological, Bio tech park and IT Park engaged in Software development or, data processing or, Cyber Café or, Digital Mapping	No change	50% on NR
	- Special industries in operation after relocation from Kathmandu valley to outside valley	100% exemption shall be provided for 3 years and 50% rebate for the next 2 years from the date of such relocation and operation.	-
6.	Concession related to hydropower project		
	- Person or entity having license to generate, transmit or distribute electricity shall be provided concession if the commercial operation commences before BS 2080 Chaitra end. (Provisions shall be applicable for electricity generated from solar, wind or organic material)	No change	100% exempt up to 10 years and 50% rebate in subsequent 5 years from the date of commercial production
7.	Concession to Petroleum Industry		
	- If person involved in exploration and extraction of minerals, petroleum products, natural gas and fuel and starts commercial operation by BS 2080 Chaitra end.	No change	100% exempt up to 7 years and 50% rebate in subsequent 3 years
8.	Other Specific concessions		
	- On capitalization of accumulated profit through bonus share by Special Industry or industry related with tourism for expansion of capacity of industry	No change	No tax on dividend distribution
	- Income from export of goods manufactured by manufacturing-based industry having source in Nepal during any income year.	Additional 35% rebate on AR.	Additional 25% rebate on AR.
	- Income of Manufacturing Industry, tourism service industry and hydropower generation, distribution and transmission industry listed in capital market and entities mentioned in section 11 (3 Ga)	No change	15% on AR/NR
	- Private company with capital of Rs 50 crore or more which conducts its operation by converting into public company	No change	10% on AR / NR for 3 years from the date of conversion
	- Domestic tea production and processing industry, Dairy industry, Garments industry	No change	50% on AR
	- Health institution operated by community based organization	No change	20% on NR
	- Micro entrepreneurial industry	No change	100% on NR for 7 years from the date of operation.
	- Micro entrepreneurial industry under entrepreneurship of woman	No change	100% on NR for 10 years from the date of operation

#	Particulars	FY 2021-22	FY 2020-21
	- Industry established in very undeveloped and undeveloped areas producing brandy, wine, cider from fruits	No change	40% and 25% in case of very underdeveloped and underdeveloped areas respectively on NR for 10 years from the date of operation
	- Royalty from export of intellectual asset by a person	No change	25% on NR
	- Income from sale of intellectual asset by a person through transfer	No change	50% on NR
	- Cooperatives operating in village municipality	No Change	100% tax exemption
	- Income derived from agriculture business by registered firm, company, partnership and organized institutions	50% rebate on AR	-
	- Income earned from sale of raw materials or subsidiary raw materials manufactured in Nepal to special industries in Nepal	20% rebate on AR	-
	- Income derived by startup business as prescribed by IRD having annual turnover up to Rs 10 million based on innovative knowledge, skills, technology and methods.	100% tax exemption for the first 5 years from the date of commencement of transaction.	-
	- Industry engaged on manufacture of new products by using only used materials that have direct impact on environment as its raw materials.	50% rebate on AR for first 3 years from the date of commencement of transactions and 25% for next 2 years.	-

Note:

1. If any entity is entitled to more than one benefit under section 11 of the Income Tax Act, 2058 only one benefit shall be availed. However, in case of Special Industries, apart from the concessions of 20% given in section 11(2Kha), any one of other benefits available in section 11 can also be availed.
2. "Special industry" refers to all the manufacturing industries as classified in section 3 of the Industrial Enterprises Act, 2076 (Annex 10) except the industry related to the manufacturing of cigarette, bidi, cigar, chewing tobacco, tobacco, gutkha, pan masala other products having main ingredient as tobacco, alcohol, beer and other such related products but includes agriculture, forestry and mineral industries.

3. Special Provisions

#	Particulars	Remarks
a.	Tax rebates for micro, small and medium enterprises.	For FY 2020-21, tax rebates ranging from 50% to 90% on applicable tax provided to small taxpayers based on annual business turnover. (Refer table in note 3 of point 1.4 above: Rebates to Small taxpayers on tax FY 2020-21 as provided by Finance Ordinance 2078)
b.	Tax rebate and facility to specific business affected by COVID pandemic	Tax at the rate of only 1% will be applicable on taxable income for FY 2020-21 of hotel, travel, trekking, transportation and airlines, cinema industry (production, distribution and presentation), party palace, and media house having annual turnover in excess of Rs 10 million. Also, taxable loss incurred by such businesses in FY 2019-20 and 2020-21, if any, shall be carried forward for 10 years (instead of 7 years of normal carry forward period)
c.	Tax rate for cooperatives	The cooperative operating in Rural Municipality is exempt from Income Tax. And tax to be levied at 5%, 7% and 10% for cooperative operating in Municipality, sub-metropolitan and metropolitan, respectively.

#	Particulars	Remarks
d.	Approved Retirement Funds	Withholding taxes on retirement payment for transferring the amount deposited with other approved retirement fund to contribution based social security fund within 13 April 2022 (Chaitra end 2078) shall be waived.
e.	Tax exemption to mutual fund	Income of mutual fund approved by Securities Board of Nepal (SEBON) derived in line with its objective shall be exempted from tax.
f.	Tax exemption to Not for profit educational institute	Income of a non-profit motive educational institution established based on letter of understanding with GON or related body shall be exempted from tax.
g.	Amendment in case benefits for merger and acquisition	Provision of section 47 (ka) has been amended to allow merger and acquisition benefits only on disposals through mergers of BFIs and insurance companies within the same class . Further, such entities shall register the memorandum of intent with IRD within 16 July 2022 (Ashad end 2079) and complete the merger/acquisition process within 16 July 2023 (Ashad end 2080).

4. Allowable Deductions

#.	Particulars	FY 2021-22	FY 2020-21
a.	Donation to tax exempt organization	No change	Up to Rs 100,000 or 5% of adjusted taxable income whichever is lower.
b.	Expenses incurred for conservation or promotion of historical, religious or cultural heritage, or for construction of public sports infrastructure shall be allowed as deduction from taxable income up to prescribed limit.	No change	a. On prior approval of IRD b. Actual incurred up to Rs 1 million or 10% of assessable income whichever is lower.
c.	Contribution to Prime Minister Relief Fund or National Reconstruction Fund established by GoN	No change	Actual amount of contribution
d.	The contributions made to corona infection prevention, control and treatment fund set up by the federal, provincial or local governments	Actual amount of contribution made during FY 2020-21 allowable as deduction while computing taxable income of such year.	Actual amount of contribution made during FY 2019-20 allowable as deduction while computing taxable income of such year.
e.	Out of fund set aside for corporate social responsibility (CSR) during FY 2020-21, the expenses incurred for the construction of specialized hospitals and for providing health equipment and materials related to the treatment of COVID 19 to the designated medical institutions as prescribed by Ministry of Health and Population, GoN	Allowable as deductible expense for tax purpose (New provision for FY 2020-21)	-
f.	Seed capital up to Rs 100,000 each contributed for up to 5 startups not related to the contributor shall be allowed as deductible expense.	Allowable as deductible expense for tax purpose (New provision)	-

5. Tax Payment

5.1 Advance tax to normal taxpayer

#	Particulars	Installment Amount
a.	Up to Poush end	40% of estimated tax
b.	Up to Chaitra end	70% of estimated tax
c.	By Ashad End	100% of estimated tax*

* Amount to be paid under each instalment is 90% of the amount of estimate or revised estimate payable as the instalment of tax for each instalment period for the year reduced by the amount of each instalment paid by the person for an income year.

Note: It is not required to pay advance tax if tax payable is less than Rs 7,500.

5.2 Advance tax to taxpayer based on turnover

#	Particulars	Installment Amount
a.	Up to Poush end	Tax at the rate specified on actual transaction up to 20 th of Poush.
b.	Up to Ashad end	Remaining Amount of Tax calculated at the rate specified on estimated transaction amount at Ashad end based on actual transaction up to 20 th of Ashad.

6. Taxation to Small Taxpayer

6.1 Presumptive taxation

Particulars	FY 2021-22	FY 2020-21
Vehicle Tax*		
Minibus, Mini Truck, Water Tanker	No change	Rs 6,000
Mini Tripper	No change	Rs 7,000
Truck and Bus	No change	Rs 8,000
Dozer, Excavator, Roller, Loader, Crane and similar machineries	No change	Rs 12,000
Oil tanker, Gas bullet, Tipper	No change	Rs 12,000
Car, Jeep, Van, Micro Bus		
(a) 0 to 1300 cc	No change	Rs 4,000
(b) 1301 to 2000 cc	No change	Rs 4,500
(c) 2001 to 2900 cc	No change	Rs 5,000
(d) 2901 to 4000 cc	No change	Rs 6,000
(e) 4001cc and above	No change	Rs 7,000
Three Wheeler, Auto Rickshaw, Tempo	No change	Rs 2,000
Tractor	No change	Rs 2,000
Power Tiller	No change	Rs 1,500
For natural persons (Small Tax Payer) having turnover from business not exceeding Rs 3 Million and taxable income not exceeding Rs 300,000 million (Refer criteria below at Note # below)		
Metropolitan, Sub-Metropolitan	No change	Rs 750**
Urban Municipality	No change	Rs 400**
Rural Municipality	No change	Rs 250**

Note:

*Schedule 1(1) (13): If the owner of the vehicle is a natural person (other than registered individual firm), the tax so paid shall be final.

** Tax rebates of 90% provided through finance ordinance 2078 (2021) on presumptive tax amount based on the annual turnover of small taxpayers for FY 2020-21 considering impact of COVID-19 on business has been provided.

Criteria for presumptive taxpayers (resident natural person)

- Person is a resident natural person.
- Person having only Nepal source business income.
- Has not claimed medical tax credit under section 51 and advance tax credit under section 93.
- Having taxable business income not exceeding **Rs 300,000** and business turnover not exceeding **Rs 3 million**.

Criteria of “not registered with VAT to qualify as presumptive taxpayer” and “person opting to be treated as presumptive taxpayer” has been withdrawn by Finance Ordinance 2078.

7. Tax Withholdings

7.1 Tax withholding rates (TDS)

#	Nature of Transaction	FY 2021-22	FY 2020-21
i.	Interest income from deposit under 'Micro Finance Program', 'Rural Development Bank', 'Postal Saving Bank & Co- operative (u/s-11(2)) in rural areas is exempted from tax	No change	Up to Rs 25,000
ii.	Windfall gains	No change	25%*
iii.	Payment of rent except house rent to natural person and except provided in serial number (iv) & (v) below, made by resident person**	No change	10%
iv.	Payment for vehicle hire to VAT registered person	No change	1.5%
v.	Payment for freight or rental payment against lease of carriage vehicle relating carriage of goods. [Proviso clause 8 under sec 88(1) which requires 1.5% on VAT invoices has been withdrawn by Finance Ordinance 2078]	2.5%	2.5% [in case of non VAT invoice] 1.5% [in case of VAT Invoice]
vi.	Profit and gain from transaction of commodity future market	No change	10%
vii.	On returns to be distributed by Mutual Fund: - Natural person - Other than Natural Person	No change	5% 15%
viii.	On Dividend paid by the resident company and partnership firm - To Resident person - To Non-resident Person	No change	5% for both
ix.	On payment of gain from investment insurance	No change	5%
x.	On payment of gain from unapproved retirement fund	No change	5%
xi.	On payment of interest or similar type having source in Nepal by Resident Bank, Cooperatives, financial institutions or debenture issuing entity, or listed company - In case of payment made to natural person [not involved in any business activity] - In case of payment made to entities	No change	5% 15%
xii.	- On payment of premium to non- resident insurance company - On payment of commission relating to reinsurance premium to non-resident insurance company	No change	1.5%
xiii.	Payment against-contract or agreement to Non-Resident person.	No change	5%
xiv.	On payment exceeding Rs 5 million made towards the works done through the consumer committee	No change	1.5%
xv.	Contract payments exceeding Rs 50,000	No change	1.5%
xvi.	Payment of consultancy fee/ for procurement of services: - by resident person against VAT invoice - by resident person against Non-VAT invoice	No change	1.5% 15%
xvii.	On payment for use of Satellite, Bandwidth, Optical fiber, telecommunication equipment or electricity transmission by resident person irrespective of its location	No change	10%
xviii.	On payment of commission (The word "Commission "has been excluded from the definition of service fee under section 2 (ka)(ma)) by Finance Ordinance 2078.) This clarifies that applicable TDS rate on commission is 15% in case of both VAT registered and non VAT registered.	15%	1.5% (VAT registered) 15% (Not registered with VAT)

#	Nature of Transaction	FY 2021-22	FY 2020-21
xix.	On payment of interest by resident BFIs on loans availed in foreign currency from foreign banks or other financial institutions to invest in the areas as specified by NRB. (Replacement of the word “foreign banks or other financial institutions” in place of existing word” foreign banks” in section 88 (1) (9).	No change except that it is applicable in case of other financial institution also	10%
xx.	Payment of registration fee, educational fee, or exam fee to foreign college and universities.	5% [new provision]	-
xxi.	On payment of interest on deposit to life insurance company by resident banks and financial institutions.	5% [new provision]	

7.2

Rates of advance taxes

#	Nature of Transaction	FY 2021-22	FY 2020-21
i.	a) Gain on disposal of Interest in any resident entity (listed in stock exchange) <ul style="list-style-type: none"> - To resident natural person <ul style="list-style-type: none"> a. Listed Shares held for more than 365 days b. Listed Shares held for less than 365 days - To resident entity - Others (including non-resident person) 	5% 7.5% No change No change	5% 5% 10% 25%
	b) Gain on disposal of Interests in any resident entity (unlisted) <ul style="list-style-type: none"> - To resident natural person - To resident entity - Others (including non-resident person) 	No change	10% 15% 25%
ii.	On import of items under <ul style="list-style-type: none"> - Custom Banding Category 1 (Live Animals), - Custom Banding Category 3 (Live, Fresh and Iced Fishes) - Custom Banding Category 6 (fresh flowers), - Custom Banding Category 7 (Fresh vegetables, potato, onions, dry vegetables, garlic, baby-corn), - Custom Banding Category 8 (Fresh Fruits) 	No change	5%
iii.	On import of items under <ul style="list-style-type: none"> - Custom Banding Category 2 (Meat), - Custom Banding Category 4 (Dairy products, egg, honey), - Custom Banding Category 10 (kodo, phappar, junelo rice and kanika) - Custom Banding Category 11 (Maida, aatta and pitho) - Custom Banding Category 12 (medical herbs and sugarcane) - Custom Banding Category 14 (plant produces) 	No change	2.5%
iv.	Banks and financial institutions providing foreign exchange facility for payment to foreign institutions for conducting language and Standardized examination of student going to study abroad.	No change	15%
v.	If any person receives payment in foreign currency for providing software and similar other electronic facilities outside Nepal, BFIs and Money Transfer shall deduct advance tax.	1% [new provision]	-
vi.	Gain on Disposal of land or land & building: <ul style="list-style-type: none"> - Owned by individual for over 5 years - Owned by individual for up to 5 years - Owned by person other than individual <p>* The land or land and building or building disposed at proceeds less than Rs 1,000,000 does not fall under the category of non-business chargeable assets (NBCA). These taxes are withheld by the Land Revenue office on sale amount.</p>	No change No change No change	2.5% 5% 1.5%

*Windfall gain tax of 25% will be exempted for the reward up to Rs 500,000 received on behalf of contribution in the field of literature, art, culture, sports, journalism, science and technology and general administration.

** In case of house rent other than payment to natural person, additional municipality tax to be included and deposited with the local ward/municipal office (2% in case of Kathmandu and Lalitpur Municipal Authorities).

7.3 Applicability of TDS

#	Nature of transaction	FY 2021-22	FY 2020-21
i.	Payment for question setting, answer evaluation	No change	15%
ii.	Payment made by natural person relating to activities other than business activities	No change	No TDS
iii.	Payment for articles published in Newspaper	No change	No TDS
iv.	Interest payment to resident bank and other financial institutions	No change	No TDS
v.	Interregional interchange fee paid to credit card issuing bank	No change	No TDS
vi.	Interest or fees paid by GON under bilateral agreement	No change	No TDS
vii.	Tax Exempt payment or TDS deductible u/s 87	No change	No TDS
viii.	Incentive paid to consumer for making payment against purchase of goods or services through electronic wallet such as e-money, Mobile banking	No change	No TDS
ix.	Payment of interest on loan between cooperative bank and cooperative institutions.	No TDS [new provision]	-

7.4 Final withholding payments

#	Nature of transaction	FY 2021-22	FY 2020-21
i.	On Dividend paid by the resident company and Partnership firm - To Resident person - To Non- resident Person	No change	5% for both
ii.	Payment of freight for transportation of goods or vehicle rental payment made to resident natural person other than sole proprietor	No change [except that TDS on freight payment to natural person other than sole proprietor is also final withholding TDS]	10% [in case of vehicle rental] 2.5% [in case of freight for transportation of goods]
iii.	On payment of gain in investment insurance by resident natural Person	No change	5%
iv.	On payment of gain from unapproved retirement fund	No change	5%
v.	On payment of interest or similar type having source in Nepal to natural person [not involved in any business activity] by Resident Bank, financial institutions or debenture issuing entity, or listed company	No change	5%
vi.	Windfall gains	No change	25%*

8. Fines and Penalties

Section	Circumstance	FY 2021-22	FY 2020-21
117(1)(Ka)	Estimated Income Tax Return under Section 95(1) not filed by taxpayer	No change	Rs 5,000 or 0.01% of the assessable income whichever is higher
117(1)(Kha)	Advance Withholding Tax Return under Section 95Ka(5) not filed by advance tax withholding agent	No change	1.5% p.a. on the amount of tax to be withheld
117(1)(Ga)	Income Tax Return under Section 96(1) not filed <i>If the ITR is filed within the period of extension the fine under Section 117(Ga) is not attracted, otherwise fine is attracted from the due date for filing the ITR irrespective of the extension obtained.</i>	No change	Person under Section 4(4): Rs 100 p.m. Others: Higher of: Rs 100 p.m.; or 0.1% p.a. on the amount of inclusions
117(1)(Gha)	Financial Statement is not submitted within prescribed time by entities under Section 2(Dha) (<i>Exempt Entity</i>)	No change	0.1% p.a. on the amount of receipts

Section	Circumstance	FY 2021-22	FY 2020-21
117(2)	Fails to maintain proper documentation for an income year as required by Section 81	No change	For the year during which the documentation is not maintained, calculated as: Higher of: Rs. 1000; or 0.1% of the amount of inclusions
117(3)	Withholding Tax Return under Section 90(1) not filed by tax withholding agent	No change	2.5% p.a. on the amount of tax to be withheld
118(1)(Ka)	Instalment tax to be deposited under Section 94 is not made as prescribed	No change	15% p.a. on outstanding amount
119(1)	Failure to Pay Tax on or before the date on which the tax is payable. <i>Section 119(2): For the purposes of calculating interest payable under Section 119(1), any extension granted under Section 98 is ignored.</i>	No change	15% p.a. on the outstanding amount
119(4)	In case tax has not paid within the date allowed under Section 110A <i>Payment of the outstanding tax in installments</i>	No change	Additional 5% p.a. is levied on the arrears
119Ka	Except as otherwise provided in this Act, a person who fails to comply with this Act or the Rules framed	No change	Rs 5,000 to Rs 25,000
120(Ka)	Makes a false or misleading statement or omits from a statement made to the Department any matter or thing without which the statement is false or misleading in a material particular, knowingly or recklessly to the Department	No change	100% of the amount of tax short paid
120(Kha)	Makes a false or misleading statement or omits from a statement made to the Department any matter or thing without which the statement is false or misleading in a material particular, but not knowingly or recklessly to the Department	No change	50% of the amount of tax short paid
121	A person who knowingly or recklessly aids or abets another person to commit an offence under Chapter 23 (<i>Section 123 to Section 130</i>), or counsels or induces another person to commit such an offence	No change	100% of the underpayment of tax

Note: The rate in above schedule is applied in highest integer month basis i.e. part of a month is counted as a month

9. Appeal to Revenue Tribunal

Taxpayers shall deposit total undisputed tax amount and 50% of disputed amount including fees and penalty as security deposit or arrange equivalent bank guarantee for filing an appeal to the revenue tribunal. On calculation of such deposit or equivalent bank guarantee amount, 25% of disputed amount deposited at time of administrative review shall also be included.

10. Other Taxes and Fees

10.1 Education service fees

- Collected from students going abroad for higher education at 2% of the foreign exchange facility availed from the BFIs.
- Interest shall be charged to the BFI at the rate of 15% per annum for delay in deposit of education service fees. In case the student is unable to go abroad for his/her studies due to any circumstances and the amount is refunded by the foreign educational institution, then education service fees collected on such amount shall be refunded.

10.2 Infrastructure development tax

Collected for infrastructure development at customs point from petrol and diesel imported into Nepal at Rs 10 per liter.

10.3 Road construction charges

Collected on import or production of vehicles at the rates specified in Annex 3 of the Finance Ordinance 2078.

10.4 Road maintenance and improvement charges

Collected for maintenance and improvement of roads at Rs 4 and Rs 2 per liter of petrol and diesel imported into Nepal.

10.5 Film development fees

Collected by the cinema halls on exhibition of foreign films at rates given in Annex 4 of the Finance Ordinance 2078.

10.6 Pollution control fees

Collected on the petrol and diesel sold within Nepal at Rs 1.50 per liter.

10.7 Telephone ownership fees

Collected from consumers for new connection or ownership transfer of fixed line at Rs 500 per connection. Collection for mobile phones will be at 2% of the value of recharge card.

10.8 Telecommunication service charge

Collected from consumers of telephone, mobile, internet service by the telecommunication service providers at 13%. This charge is not applied on inter connection charge and up to 50% of the maintenance charges of fixed broadband service charge.

10.9 Casino royalty

Collected from licensed casino operators per license at Rs 40 million per annum and Rs 10 million per annum for gaming through modern machine and equipment only.

right people
right size
right solutions